FOREIGN AGRICULTURE

nit train takes on U.S. grain

December 29, 1975

No Transport Crunch Yet

1975 Index

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This week's cover:

A covered hopper unit train prepares to haul U.S. grain to domestic markets and port elevators. Progress in moving the record 1975/76 U.S. grain exports is discussed in article beginning this page.

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No Transport Crunch Yet For Record U.S. Grain Exports

By DEBORAH D. POLLOCK
Transportation Economics
Economic Research Service

THIS YEAR's huge export sales of U.S. grains and oilseeds bring to mind the U.S. transportation tangle of 1972/73, when record grain exports were delayed by railcar and ocean carrier shortages, port congestion, and other bottlenecks. But history so far is not repeating itself—indeed, shipping easily sailed through a crucial test in November when inspection of grain and soybeans for export soared to an alltime monthly record of nearly 366 million bushels.

Why the change over the course of only a few years? One reason is increased railcar and barge capacity over 1973 levels. Another is today's slack economy, with a diminished industrial demand for transport equipment offsetting agriculture's expanded needs. Finally, grains and oilseeds—which make up the bulk of U.S. farm exports—so far have been moving out at a relatively fast pace, whereas 1972/73 was marked by an unusually slow first half and a frantic last half.

For these same reasons, however, this year is not really a good test of the transport system's ability to perform during the flush of economic activity. That test would come quickly should the economic recovery now underway pick up substantial momentum and coincide with strong and urgent foreign demand for U.S. farm products.

Indicative of the brisk foreign demand is the more than 2½-fold increase in value of U.S. farm exports since fiscal 1972—from $8 billion to $21.6 billion in fiscal 1975. During that same period, the value share of farm exports held by grains and soybeans—which dominate agriculture's use of transport capacity—rose from about two-fifths in fiscal 1972 to over one-half in 1975. In contrast, volume of grain shipments has been quite variable, totaling 48.5 million metric tons in 1971/72, 80.1 million in 1972/73, and 72.5 million in 1974/75.

This season is witnessing another major expansion in export volume—to between 91 and 99 million tons—as a result of bumper U.S. harvests and heavy foreign buying, including over 13 million tons of grain sold so far to the USSR.

Wheat exports are expected to range between 35.4 and 38.1 million tons in the marketing year ending next June—an increase of 25-30 percent from those of 1974/75, when poor weather reduced U.S. crops. And they may be 10-18 percent above shipments in 1972/73 when the severe transportation tieups occurred.

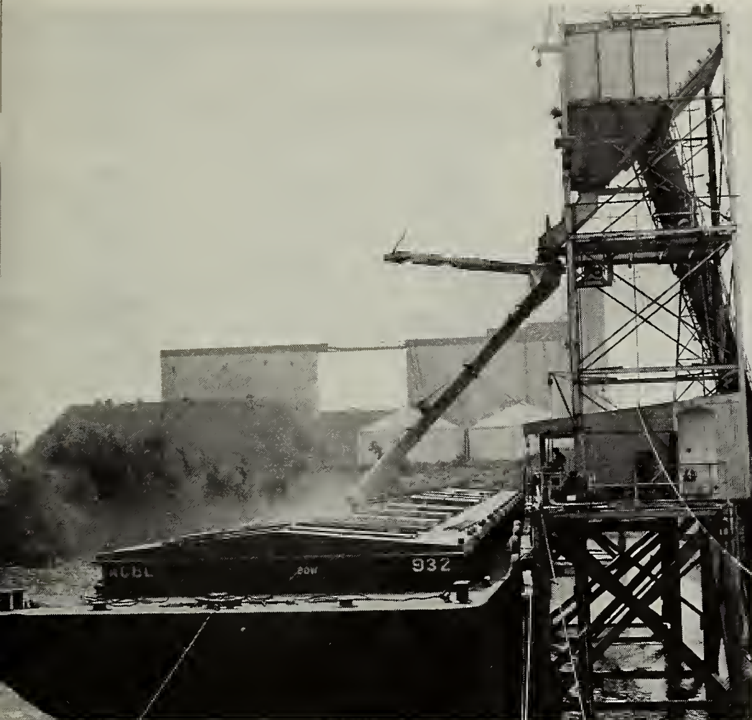
Feedgrain exports are also projected at an alltime high of between 43.1 and 47.4 million tons. Soybean shipments will exceed last season's to rank among the largest on record.

In concert with the gains in exports, domestic consumption and stocks of grains and soybeans are seen expanding beyond 1974/75 levels, placing further pressure on U.S. transportation and storage facilities. (Some corn and soybeans had to be stored temporarily on the ground in October, owing in large part to a rapid harvest of record crops.)

THESE pressures notwithstanding, the movement of grain and soybeans to market so far in 1975/76 has been regular and relatively uneventful.

By early December, more than two-fifths of anticipated 1975/76 wheat exports had already moved out, with weekly shipments averaging 722,000 tons—well within the range needed to reach projected export levels for 1975/76.

Weekly shipments of corn so far this marketing year have averaged 898,000 tons—considerably above the average required to meet projected export levels—while weekly soybean movements also have held above the needed averages. However, since the soybean marketing year did not begin until September 1 and the corn year until October 1, these export flows are



Above, loading grain onto barge at St. Paul, Minn. Right, rail hopper cars receive Mississippi soybeans.

based on data for only a short time.

As in all years, the rhythm of this trade has varied from week to week. Wheat exports, after a moderate start, gained momentum in September, reaching a peak of over 1 million tons in one week late that month. Since then, they have been somewhat lower. Corn exports started slowly, picking up speed during late October and early November, while soybean exports have averaged more than 400,000 tons per week since mid-October.

One earlier portent of trouble was the USSR's reluctance to pay a $16-per-ton shipping charge on U.S. grain moving in U.S. flag vessels, as agreed last fall, and the maritime unions' consequent threat to block loading of this grain. The USSR has now said it will pay the rate, covering a third of its imports of U.S. grain.

Otherwise, difficulties so far in 1975/76 have been minor compared with those in 1972/73. The year of the first major grain sales to the USSR, 1972/73, was marked by a huge backup of grain exports as a result of a 4-month delay in signing of a bilateral grain shipping rate agreement between the United States and the USSR.

As a result, nearly three-fifths of all wheat exports—and about half the corn and soybeans—had to be moved in the last half of the fiscal year, compared with the more normal 46 percent recorded in fiscal 1975. Much of the shipping thus took place during the difficult winter months, when barge shipping of corn and soybeans slowed and ice closed the Great Lakes ports. An added headache was the heavy flooding of the upper Mississippi River in the spring of 1973, which for a time nearly halted barge movements.

These circumstances pushed 55 percent of total grain and oilseed exports into the latter half of the 1973 fiscal year, with peak demands on the transportation network continuing until the spring of 1974.

At its worst, the 1972/73 tieup saw local elevators overflowing with grain and soybeans for want of railcars, other shipments stalled en route, and shipping of grain to many ports "embargoed" because of lack of storage space.

As in that and most years of heavy grain traffic, elevators in certain ports have been embargoed in 1975/76. However, major grain elevators often have been exempted from embargoes, so that the flow of grain has not stopped. Gulf and east-coast ports have been chiefly affected—the former in part because of their dominant role in mov-

U.S. GRAIN[1] INSPECTIONS FOR EXPORT BY PORTS, CALENDAR 1970-74

Port	1970 Volume	1970 Share	1971 Volume	1971 Share	1972 Volume	1972 Share	1973 Volume	1973 Share	1974 Volume	1974 Share
	Mil. bu	*Percent*	*Mil. bu*	*Percent*	*Mil. bu*	*Percent*	*Mil. bu*	*Percent*	*Mil. bu*	*Percent*
Gulf	1,147	62.8	1,114	65.4	1,501	64.7	2,250	64.1	1,885	65.5
Atlantic	102	5.6	94	5.5	227	9.8	389	11.1	362	12.6
Pacific	257	14.1	193	11.3	254	11.0	398	11.3	361	12.5
Great Lakes	320	17.5	304	17.8	337	14.5	475	13.5	272	9.4
Total	1,826	100.0	1,706	100.0	2,319	100.0	3,512	100.0	2,880	100.0

[1] Includes wheat, oats, barley, rye, flaxseed, corn, sorghum, and soybeans.

ing U.S. grain exports. Among ports recently under embargo are Houston and Beaumont, Tex., Mobile, Ala., and Norfolk, Va.

Barring unforeseen problems or larger than anticipated export sales, the embargoes are expected to be less frequent in coming months.

Indeed, timing of the most recent thrust in export sales has been fortunate for agriculture ,since this expansion has coincided with lessened demand for transportation from other quarters of the economy. At the same time, carriers and their regulators have learned some lessons fom the frustrating experiences of 1972/73.

The **railroads** through 1974 further expanded their fleet of covered hopper cars—albeit aι the expense of the traditional 40-foot narrow-door boxcar—to capitalize on the hopper's half again greater carrying capacity and its ability to load much faster than the boxcar. Numbers of covered hopper cars increased by 14,000 between 1973 and 1974 alone to 219,000, continuing an uninterrupted rise since 1960.

By mid-November 1975 there were nearly 228,000 covered hopper cars, but 40-foot narrow-door cars numbered fewer than 133,000 — down from 164,000 at the end of 1973.

As a result of these changes, railroads now have a one-time capacity of about 1,041 million bushels, or nearly 2 percent more than in 1973.

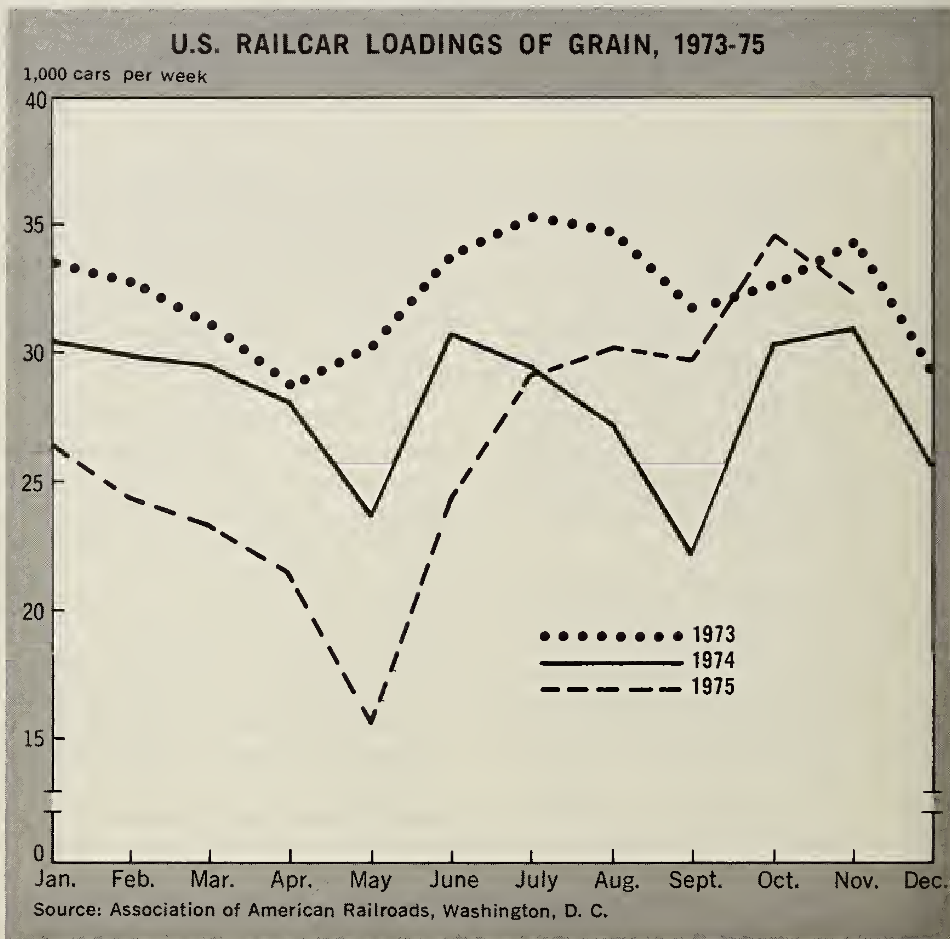
To provide early warning of pending traffic problems, the Interstate Commerce Commission (ICC) now operates a monitoring system covering major gateways. This is intended to spot problems and allow for correction before they cause major disruptions such as those of 1973. The ICC also has limited the use of jumbo hoppers in unit grain trains to ensure that smaller shippers will not bear a disproportionate share of any car shortages.

Actual grain and oilseed traffic on the railroads — although heavy — has moved smoothly so far this year as a result of the reduced needs of other areas of the economy. During the fall of 1975, weekly railcar loadings of all commodities were down somewhat from those in the recent past. And loadings for the year through mid-November were 13 percent under those of the comparable 1974 period, and 15 percent under 1973's.

U.S. GRAIN AND SOYBEAN EXPORT MOVEMENTS IN CURRENT MARKETING YEAR [1]

Item	Wheat	Corn	Soybeans
	1,000 metric tons	*1,000 metric tons*	*1,000 metric tons*
Cumulative exports in current marketing year [2]	16,609	8,981	4,458
Outstanding export sales	6,805	9,364	3,842
Export projection for year:			
High	38,100	38,100	13,600
Low	35,400	35,600	12,200
Remainder to move:			
High	21,491	29,119	9,142
Low	18,791	26,619	7,742
Average moved per week this marketing year [2]	722	898	318
Implied rate for remaining weeks:			
High	741	693	241
Low	648	634	204
	Percent	*Percent*	*Percent*
Percent of projected exports already moved:			
High	43.6	23.6	32.8
Low	46.9	25.2	36.5

[1] Marketing years begin in July for wheat, September for soybeans, and October for feedgrains. [2] Through December 7, 1975.



U.S. RAILCAR LOADINGS OF GRAIN, 1973-75

Source: Association of American Railroads, Washington, D. C.

Because grain traffic was down during the first half of the year, total grain loadings through mid-November were 8 percent less than in 1974 and 20 percent less than in 1973. Recently, weekly railcar loadings of grain have been running well below the highs for the year reached in late October, when weekly loadings were above even those for the same period of 1973. Further slackening is expected through the holiday period, followed by a seasonal pickup in January.

This year's railcar loadings of other raw farm products also followed past patterns of peaking in the fall but did

Continued on page 20

Assistant Secretary Bell discusses

Protectionism in Beef Trade

"AMERICAN protectionism" has always been a target of criticism by some of America's trading partners. But it is not America that has aggravated the problem of world beef trade —one of the most severe examples of international protectionism in recent years.

World trade in beef and veal has gone through a real wringer during the past 2 years. After reaching a record 2.8 million metric tons on a carcass weight basis in 1973, world trade fell by 36 percent in 1974 to 1.8 million tons and is expected to fall even further in 1975—to only about 1.6 million tons.

This sudden drop in world trade in beef and veal during the past 2 years is not due to any shortage of beef and veal in the exporting countries. In fact, most of the exporters had geared up to meet a growing demand for beef in the importing countries—mainly the United States, the European Community (EC), Canada, and Japan.

There has been growth in demand in the importing countries during the past 2 years, but this growth has been met mostly by increased production in the importing countries themselves.

Beef and veal production in the four major importing countries increased from 16.5 million tons in 1973 to 18.5 million tons in 1974 and is expected to exceed 19 million tons in 1975. The largest production increase has been in the EC—21 percent in 2 years. The increase in U.S. output is not quite as large.

The increase in beef and veal production in the importing countries took place at a time of worldwide recession and weakening consumer demand. This led to temporary gluts of beef and veal in the importing countries.

All four countries—the United States, the EC, Canada, and Japan—took actions to protect themselves from a flood of beef from exporting countries.

Beef and veal production in the exporting countries increased sharply in 1973 to a record 8.2 million tons—22 percent higher than 2 years earlier. Production in the exporting countries dropped off some in 1974—due mostly to exceptionally fine weather in Australia that enabled farmers to withhold some of their cattle from the market.

But this year production has increased sharply. Beef and veal production in the main exporting countries—Australia, New Zealand, and in Central America and South America—is expected to reach a record 8.7 million tons in 1975.

All four major importers acted to protect their producers from an expected flood of beef from the exporting countries. The United States, however, took action in a way significantly different from that of the other importing countries—particularly the EC and Japan.

The EC and Japan took unilateral actions by first placing embargoes on all beef imports. The embargoes were subsequently replaced by restrictive quotas which are still in place today—although Japan has been progressively easing its restrictions recently.

THE APPROACH taken by the United States was entirely different. We took no action on restrictions in 1974. Our beef and veal production reached record levels that year, but imports were down due to holding actions in the exporting countries, particularly Australia. The holding actions resulted, primarily, from low cattle prices in the United States, which made our market unattractive to exporters.

In late 1974, we began negotiating a set of 12 voluntary export restraint agreements with our overseas suppliers. This was done under the authority of our Meat Import Law, and was initiated to protect American cattle producers from an anticipated sharp increase in imports in 1975.

We did not act unilaterally. We did not embargo imports. We attempted to work out the problem with our trading partners.

The voluntary export restraint agreements with our trading partners are expected to keep U.S. imports of beef and veal in 1975 at about 780,000 tons on a carcass weight basis, including canned, fresh, and frozen beef.

Only imports of fresh and frozen beef are covered by the voluntary export restraint agreements. Imports of canned beef are not included because they are not covered by the Meat Import Law. The voluntary export restraint agreements should keep U.S. imports of fresh and frozen beef to about 535,000 tons, product weight basis.

Beef and veal imports of 780,000 tons in 1975 will be higher than in 1974, but considerably below the 906,000 and 916,000 tons imported respectively in 1972 and 1973. The United States will be the only major importer to import more beef and veal this year than last. Our share of world imports in 1975 will be nearly half. It was 35 percent in 1973.

UNLIKE the U.S. situation, the EC's imports of beef and veal are expected to be only about 100,000 tons in 1975. This is a sharp reduction from the 991,000 tons imported in 1973.

Japan's beef imports are expected to be only 60,000 tons in 1975, compared with nearly 200,000 tons in 1973.

Due to its tight import restrictions, the EC's supply of beef and veal will be less this year than last, and only 4 percent higher than in 1973, despite a 21 percent increase in Europe's domestic production. Cattle prices in the EC have reached record highs this year. Imports have been squeezed down to make them so.

Japan's beef and veal supply will be up slightly this year but less than in 1973. Japanese production of beef and veal this year, however, will be 23 percent above 1973's. Again, imports are being squeezed to give domestic producers record prices for their cattle.

The United States will have a record supply of beef in 1975, but consumption of beef and veal will also attain a record high. Per capita yearly consumption may reach 120 pounds, double the EC level and 18 times the Japanese amount.

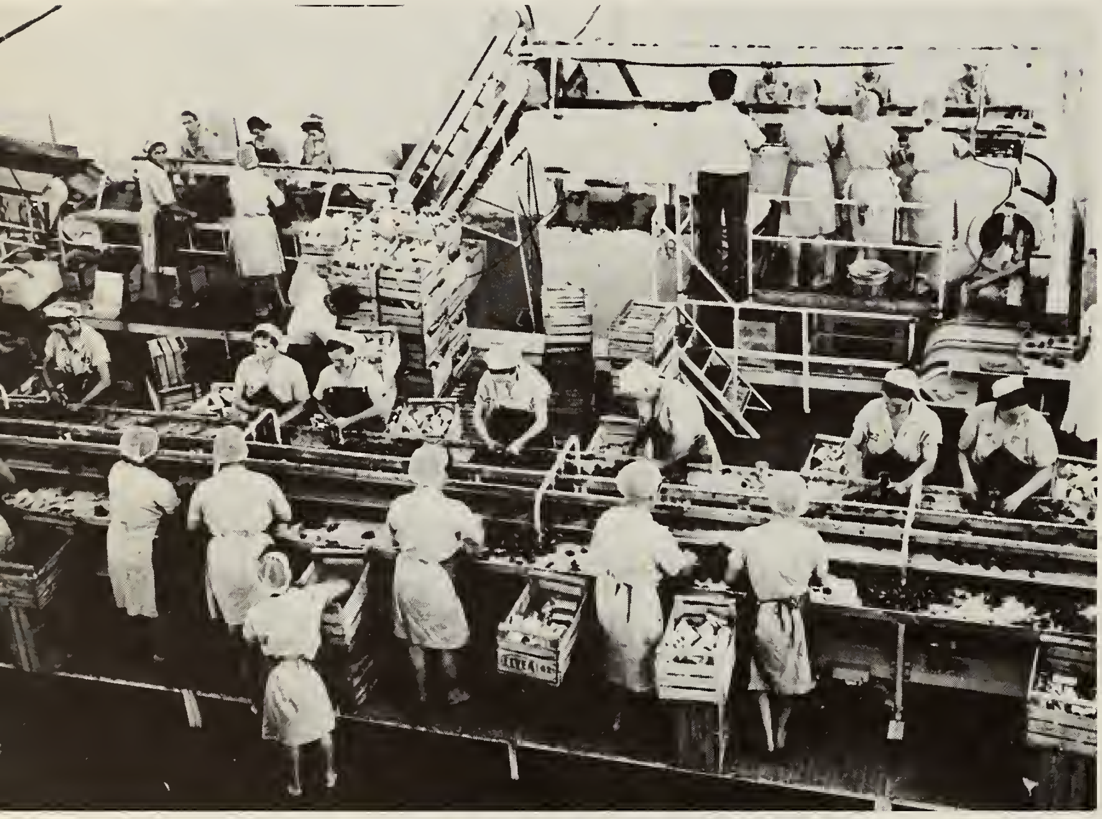
What a difference in import systems! The EC and Japanese systems shift the burden of adjustment to the exporting countries—and to other importing countries.

The U.S. system attempts to spread the burden of adjustment—among our own producers, our own consumers and our regular overseas suppliers. It is not a perfect system, but a fair one.

Based on remarks by Richard E. Bell, Assistant Secretary of Agriculture for International Affairs and Commodity Programs, at the 50th Annual Convention of the Washington Cattlemen's Association, Olympia, Washington, November 14.

Marketing Problems Force Cut In World Tomato Harvests

By RONALD Y. UYESHIRO
Foreign Commodity Analysis, Fruit and Vegetables
Foreign Agricultural Service



Above, production lines in Italian tomato processing plant; right, workers in a Greek plant labeling tomato products. Although Greece is a relatively new arrival on the scene, its 1974 raw tomato output ranked just behind Italy's.

THE UPSURGE in world demand for processed tomato products, especially for tomato paste—the most important tomato product in world trade—has lost some of its momentum.

Advancing prices in 1973 and the early months of 1974, a shrinkage of disposable incomes under the impact of the soft world economy, and some overbuying in 1973 and early 1974 because of supply-shortage scares have caused a buildup in tomato product stocks. As a result, world tomato paste prices dropped from \$900-\$950 per ton[1] during the latter months of 1973 through mid-1974 to \$500-\$550 in recent months.

Most Mediterranean tomato processing countries and the United States carried stocks at the beginning of the year that were larger than in previous years.

Under these conditions, processed tomato production in 1975 could have been expected to be near, or less than, the 1974 level. However, earlier reports indicated that most of the major world processing tomato countries planted larger tomato areas in 1975 than in 1974. Later reports now indicate that the quantity harvested in 1975 was below the quantity planted for most of the Mediterranean countries. This situation was attributed to weather problems and to the reluctance of processors to pack the large crop because of its poor marketing outlook.

Known processing tomato production grew by about 18 percent between 1973 and 1974. For the Mediterranean countries paste expansion was estimated at 5 percent, equivalent to 30,000-40,000 tons, between 1973 and 1974. Estimates for 1974 have now placed Mediterranean paste output at 2 percent below the 1974 pack. This smaller output should help improve the market situation.

The **United States** is the world's largest grower of processing tomatoes, its largest consumer and a net importer of tomato products. Accounting for roughly more than 50 percent of the identifiable world total in recent years, the United States has expanded production of processing tomatoes by about 39 percent since 1970, with a total output of 6.4 million tons in 1974 and a farm value of \$453 million. This increase in production has been a direct result of a growth of domestic tomato product consumption—up by about 14

[1] **All tons are metric.**

percent between 1965 and 1973.

Per capita tomato product consumption in the United States was 21 pounds per person in 1974, up 19 percent from 1960's, with concentrates such as catsup, tomato paste, chili sauce, and other sauces accounting for 54 percent of the total.

The United States has drastically reduced its foreign purchases of tomato products in recent years. Canned whole tomato imports dropped 55 percent in 1974 and tomato paste 43 percent.

At the same time, U.S. export sales of tomato products have increased threefold since 1971, registering a total value of $29.3 million in 1974.

Preliminary reports indicate U.S. processing tomato harvest in 1975 is about 7.2 million tons, up 13 percent from last year's. Consequently, marketing problems are likely to develop.

Italy is the most important tomato producing country in the Mediterranean area and ranks second in known world processing tomato output. Italian production has increased by about 25 percent since 1970.

RAW TOMATO output was estimated at 1.3 million tons in 1975, down by 30 percent from 1974 and 11 percent higher than the 1970-73 average. However, reports now indicate that a moderate quantity was not processed in 1975 as farmers protested the lower prices. Consequently, in August 1975, the Government provided special assistance to the industry in the form of grants.

In northern Italy, 1975 grower prices for tomatoes for paste were $62 per ton—about the same as in 1974—and $81 for canning whole tomatoes, down by about 11 percent. In the south, established grower prices are about $16 to $100 per ton, lower than 1974 levels by 5 and 24 percent, respectively.

Traditionally, Italy's product mix has been dominated by canned whole tomatoes, followed by paste. The 1975 output for these products was estimated at 430,000 and 120,000 tons, respectively—down 36 and 20 percent from last year's.

Portugal dominated world export trade in tomato paste and ranked fourth in 1975 as a producer of processing tomatoes. The country's processing tomato industry grew substantially during the 1960's, but labor problems, water shortages, and Government policies have tended to stifle expansion in recent years. No substantial growth is expected in the near future. From 1970-73, production of processing tomatoes increased by about 34 percent, but declined in 1974 by about 24 percent from the previous year's, totaling only 700,000 tons.

Portuguese tomato product output levels are not generally tightly geared to Government policies. However, for 1975, the Government wanted production to equal or surpass 1974's because of economic problems.

Despite processor objections because of poor market conditions, planted acreage was 25,500 hectares, up by 5 percent from 1974. The acreage harvested is now estimated at 23,500 hectares, with a corresponding tonnage ranging from 700,000 to 750,000, near that of a year earlier.

Spain, another traditional Mediterranean producer, has seen its processsing tomato output climb by about 65 percent since 1970 to a record level of 630,000 tons in 1975. Labor shortages and wages—high and growing—have resulted in the increased usage of mechanical harvesting.

Spain's processed product mix has been dominated by canned whole tomatoes. Since 1970, the tomato pack has increased by 20 percent, totaling 156,000 tons in 1974. Tomato paste output has been irregular in recent years but the estimated level of 70,000 tons was 80 percent greater than the 1970-74 average.

For paste, the export market takes 65-70 percent of the total but only about half of the whole tomato pack.

Although Spain faces much the same carryin problem as other tomato producers, established grower prices are mixed. In Estremadura, the country's major producing area, they ranged from $53.60 to $58 per ton in 1975, averaging 40 percent more than in 1974.

In 1974 **Greece** had a record output of raw tomatoes—1.2 million tons—a quantity ranking just behind Italy's and surpassing Portugal's. The substantial growth of the Greek processing tomato industry, a relatively new arrival on the scene, was helped by ample Government financial assistance for tomato processing plant construction.

Prices received by Greek farmers followed the pattern in other major producing countries and doubled between 1973 and 1975 to $46.10 per ton.

Greek output is dominated by tomato paste, which more than doubled since 1970, totaling 115,000 tons in 1975. At present, the Government fixes the minimum tomato paste export price.

The 1975 Greek processed tomato product outlook is not bright because of the high carryin and the high tomato production level, of which a sizable portion was left unharvested.

As in Spain, Greek growers planted a significant portion of the 1975 crop without contracts and expected processors to accept the harvest. However, in view of the poor marketing prospects, processors accepted tomatoes mostly from contracted acreage, leaving a moderate quantity in the fields.

Turkey's 1974 raw product output was 500,000 tons, 30 percent higher than in 1973. The industry is in its growing stage, using about 50 percent of the established plant capacity.

Grower prices for processing tomatoes averaged about $36.10 per ton in 1974, a relatively low figure compared with that paid in other countries. Turkey's paste output has grown by about 2.5 times since 1970, reaching 55,000 tons in 1974. The role of paste exports is growing, accounting for about 50 percent of the output in recent years.

Israel's and **Morocco's** processing tomato industries are still in their infancy, with 1974 crops of 78,000 and 62,000 tons, respectively. Major products for Israel and Morocco were tomato juice (18,000 tons) and paste (8,000 tons) in 1974, respectively.

ELSEWHERE IN the Mediterranean region, most of the output in **Algeria, Libya,** and in **Egypt** and **Syria** (formerly the United Arab Republic), **Lebanon,** and **Jordan** are channeled to the domestic market.

Taiwan. Processing tomato output in 1974: 100,000 metric tons, up 150 percent from the previous year. Product mix was dominated by tomato paste, totaling 19,500 tons in 1974, up 50 percent from a year earlier. Exports accounted for about 60 percent of the pack, mostly going to Japan.

In the Western Hemisphere, **Canada's** and **Brazil's** tomato product pack largely takes care of domestic requirements, although some imports are needed. **Argentina, Santo Domingo,** and **Mexico** process sufficient quantities for both the domestic and a small export trade market.

Grain crops abundant, but . . .

Philippine Wheat Imports To Rebound in 1975/76

THE PHILIPPINES, which produces almost no wheat domestically, is likely to boost its wheat imports by some 20 percent this fiscal year (July-June 1975/76), say Philippine trade sources. Imports could total 600,000 metric tons—provided world prices are reasonable—of which some 87 percent or 520,000 tons could be U.S. wheat. Last year, high world wheat prices kept a lid on Philippine imports of wheat and flour, which fell to the lowest level in nearly a decade.

The prospect of higher wheat imports, combined with potentially good corn and rice crops, portend a comfortable food- and feedgrain situation situation for the Philippines in 1975/76. Corn output is forecast to run about 3 percent over last year's bumper harvest, while rice seems headed for a 1 percent rise. Imports of both will still be necessary, however, including a possible 25,000 tons of U.S. corn—a 50 percent share of projected corn imports.

Philippine wheat imports skidded dramatically during the past 2 fiscal years, held in check largely by steep world prices. In the first 6 months of 1975, for instance, the Central Bank allocated $68 million to flour millers to purchase 325,000 long tons of wheat. Since the Bank's allocation was based on a price of $208 per ton—well below world prices at the time—just 175,000 tons were purchased.

As a result, Philippines wheat imports in 1974/75 were held to just 503,000 tons. Of this, the United States supplied 307,000 tons, including 3,000 of flour. Canada was the next largest supplier, followed by Australia and France. Wheat imports in 1973/74 were also relatively low at 524,000 tons—with 414,000 from the United States—compared with the more-normal 613,000 tons imported in 1972/73.

Until recently, Philippine importers have benefited from a legal loophole in importing wheat. On June 5, however, President Marcos issued a decree officially designating the National Grains Authority (NGA) as the country's sole importer of wheat, as well as other cereals. Previously, flour millers had frequently bypassed the NGA to import their wheat needs if they felt there was a price advantage—almost always the case in the past year or so.

Now, however, the NGA will be responsible for determining annual wheat requirements, be the sole importer, and sell wheat to flour millers at fixed prices—thus helping to maintain the price controls on flour sales.

The Philippine ban on exports of grain products continues in force. Some wheat bran may be exported, however, if supplies appear adequate.

Chances of producing wheat commercially in the Philippines are remote. Experimental plantings have been carried out since mid-1960, but production costs far exceed the cost of wheat imports.

At present, Philippine interest is focused on trial plantings of triticale, with seed from the United States. A U.S. firm sold the idea to Government officials, pointing out that triticale flour can be substituted for wheat flour and protein content is even higher.

"Wheat imports could total 600,000 metric tons —provided world prices are reasonable—of which some 87 percent or 520,000 tons, could be U.S. wheat."

Philippine production of corn, on the other hand, is booming. The official Government estimate for 1974/75 targets corn output at 2.65 million metric tons—a jump of 3 percent over the previous year's. This somewhat optimistic estimate was based on expanded area—up about 2 percent—favorable weather, and restored peace and order in the main producing area of Mindanão.

In spite of good weather, corn yields in 1974/75 were slightly above the previous year's, owing to reduced use of fertilizer, pesticides, and other costlier production inputs. The 1974/75 outturn fell short of consumption needs—estimated at 2.5 million tons.

Consequently, imports of 159,000 tons were made to provide ample supplies to consumers, particularly the feed milling industry. The United States supplied 106,000 tons and Thailand, the balance.

The outlook for 1975/76 is for corn production to continue to increase, probably by as much as 3 percent. Weather conditions so far have been favorable, and Government officials have assured farmers that fertilizer supplies will be adequate.

Even so, corn imports of at least 50,000 tons are forecast for the year, largely because consumption has been growing faster than production. Again, the United States is expected to furnish about 50 percent, with Thailand again supplying the balance.

Philippine sorghum production is also trending upward, although this feedgrain will not substitute for corn to any great extent during the next few years.

Rice is the major grain produced in the Philippines, although substantial imports are necessary. The final official estimate of the 1974/75 crop is placed at 3.9 million tons—a 1 percent upturn from the previous year.

Yields were marginally up, however, owing to typhoon damage to the first and main crop in Central Brazil. But the second crop in all major producing areas turned out to be very good indeed, offsetting losses to the main crop harvested October-December.

Although domestic outturns and carryover were sufficient to fill consumption needs, 209,000 tons of rice were imported in 1974/75 to cushion supplies, stabilize prices, and build stocks. Main suppliers were Thailand, the People's Republic of China, and Japan. Some 20,000 tons purchased from Pakistan arrived at Philippine ports in August 1975.

For 1975/76, production could again rise 1 percent. Weather conditions have been favorable since the start of the year, benefiting the main crop, to be harvested starting in late September. This year's imports are pegged at 70,000 tons, primarily to maintain stock. A 50,000-ton purchase from Thailand has already been reported.

—Based on a dispatch from
U.S. Agricultural Attaché
Manila

CROPS & MARKETS

GRAINS • FEEDS • PULSES • SEEDS

First French Durum Selling Tender. France will hold its first Durum selling tender—a 50,000-ton offering—on January 9. France produced 800,000 metric tons of Durum wheat in 1975, and with domestic requirements estimated at only 500,000 tons, a substantial quantity is available for export. However, about half of the crop is Durtal, a low-quality Durum that must be blended with better quality Durum to be used for milling purposes.

Rotterdam Grain Prices and Levies. Current offer prices for imported grain at Rotterdam, the Netherlands, compared with a week earlier and a year ago:

Item	Dec. 19	Change from previous week	A year ago
	Dol. per bu.	*Cents per bu.*	*Dol. per bu.*
Wheat:			
Canadian No. 1 CWRS-13.5	(1)	(1)	6.22
USSR SKS-14	(1)	(1)	(1)
French Feed Milling [2]	3.52	+4	(1)
U.S. No. 2 Dark Northern Spring:			
14 percent	4.84	0	6.07
U.S. No. 2 Hard Winter:			
13.5 percent	4.48	−2	5.88
No. 3 Hard Amber Durum	5.63	−3	7.97
Argentine	4.19	−4	(1)
U.S. No. 2 Soft Red Winter	3.70	−2	(1)
Feedgrains:			
U.S. No. 3 Yellow corn	2.90	−2	3.99
French Maize [2]	3.22	−3	(1)
Argentine Plate corn	3.45	−8	4.50
U.S. No. 2 sorghum	2.87	−3	4.01
Argentine-Granifero sorghum	3.02	−4	4.12
U.S. No. 3 Feed barley	2.95	−5	3.87
Soybeans:			
Brazilian [3]	4.94	−15	(1)
U.S. No. 2 Yellow	4.74	−12	7.99
EC import levies:			
Wheat	1.22	+8	0
Corn	1.13	+6	0
Sorghum	1.06	+8	0

[1] Not quoted. [2] Basis c.i.f. west coast, England. [3] May delivery. NOTE: Price basis 30- to 60-day delivery.

Australia Sets Home-Consumption Wheat Price. The Australian Government has set the price for home-consumption wheat at $124.36 per ton for Australian Standard White (ASW) wheat, bulk f.o.r. ports of export. The new price is $19.28 per ton higher than in 1974/75. Adjustments in the home-consumption wheat price are made each year in December to take into consideration cash costs associated with wheat production and in rail freight and handling charges. An increase of $7.61 per ton for fertilizer was a major reason for the increase in the home-consumption price, which will cover 2.3 million tons of wheat sold for human consumption and feed by the Australian Wheat Board. However, the new price is still well below the f.o.b. export price of about $141.12 per ton prevailing for ASW grade.

Thailand Lowers Rice Export Premiums. In an attempt to stimulate rice exports, Thailand has reduced export premiums on some types and grades of rice to make them more competitive with the shipments of other rice-exporting countries. The reductions range from about $45 per metric ton for white rice, 5 percent brokens, to $2.50 per ton for parboiled rice. The premiums are unchanged for broken white rice, parboiled, and cargo; glutinous rice, all types and grades to Laos; white rice flour; and glutinous rice flour. Reduced export premiums are expected to increase exports, and the rice mills, in turn, will be able to pay the new ceiling prices for paddy set by the Government.

LIVESTOCK • PRODUCTS

EC Beef Intervention Stocks Stable. As of November 1, the EC held 254,259 metric tons of beef in intervention and was paying storage fees on 60,000 tons of beef held in private storage. On a carcass-weight basis, this would amount to about 400,000 tons of beef—the same total level of stocks held 12 months earlier.

Quebec To Pay Cattle Subsidy. In Canada, the Quebec Department of Agriculture on November 19 announced provisions of an $8 million subsidy program to offset poor market prices for feeder cattle and rising input costs to producers. A direct subsidy of $87.15 per head will be paid to producers over-wintering feeder cattle weighing more than 400 pounds. Producers who wintered 10 or more cattle last year will be eligible to receive the subsidy up to a maximum of 70 percent of their total herd. Quebec thus joins three other Canadian Provinces in offering assistance programs aimed specifically at cow-calf producers.

Ontario has a voluntary beef calf income stabilization program based on the concept of a fund established by contributions by farmers and the Provincial Government. The program, in effect for 5 years from July 15, 1975, established a 1975 price guarantee of 50 Canadian cents per pound, live weight, for stocker calves.

In the summer of 1975, British Columbian cow-calf producers worked out an income assurance scheme with the British Columbia Government that was to return an estimated $20 million to producers for 1974 and 1975. The program, retroactive to April 1, 1974, covers calves and yearlings and will give producers and indemnity based on the weight of the animal. Producers taking part in the program must sign for 5 years, have a minimum 20 cows, and market 8,075 pounds of beef each year to be eligible. Producers contribute 8 cents per pound on calves and 6 cents for yearlings, while the benchmark costs of production have been set at 77 cents for calves and 63 cents for yearlings.

A $9 million Federal-Provincial program of assistance to livestock producers in areas of Manitoba that experienced feed supply losses because of excessive moisture was announced on September 19, 1975. An estimated 1,700 producers in central Manitoba are eligible for assistance. The program contains a number of measures aimed at preserving cow-calf operations by allowing producers to over-winter their

breeding animals, including reimbursement for purchases of hay, assistance for purchase of grain and processed forage or roughage pellets, payment of up to 4 cents per pound for feed up to a maximum 1,000 pounds for breeding animals and 330 pounds for calves, and payment of 8 cents per ton-mile to a maximum 1,000 miles for transport of hay and straw (applicant pays for the first 25 miles).

French Dairy Cows for Tunisia. French interests have agreed to supply 5,000 dairy cows to Tunisia in the next 5 years. The first 1,000 cows will go to Tunisian farmers as part of a social program, and a later group of 1,000 to a pilot farm. In general, milk cows in Tunisia are expected to utilize feed materials to become available from developing Tunisian irrigation projects.

DAIRY • POULTRY

EC To Sell Italian Cheese. A buildup in stocks of aged Grana Padano and Parmigiano-Reggiano cheeses has prompted the EC Commission to authorize the Italian intervention agency to sell 1,500 tons, apparently without restriction as to disposition. The sale is to be made by tenders that were due in early December. The market for these premium-price cheeses has evidently become restricted by continuing increases in EC intervention prices (available only in Italy) that have served as production incentives.

French Nonfat Dry Milk to Egypt. France is contemplating further sale of nonfat dry milk from intervention stocks to Egypt beyond an earlier announced sale of 10,000 tons annually for 2 years on a commercial basis.

The additional sales would be under an EC Council regulation allowing direct sales to developing countries in particularly difficult economic straits and under specified restrictive conditions. The sale would meet the qualifications for a concessional price equivalent to about $300 per metric ton, 25 percent of the intervention price.

FRUIT • NUTS • VEGETABLES

South African Canned Fruit Pack Up. Total South African canned fruit pack was up marginally in 1975 to 10.4 million cases (24 x 2½ basis), just 2 percent larger than that of the previous year. The apricot pack led the increase with a jump of over 50 percent over the 1974 level, attributable to an excellent growing season. Pears were at par with 1974 production; outturns of peaches and mixed fruit were 2 percent higher and 5 percent lower, respectively, than in 1974.

Total canned fruit exports during the first 6 months of the 1975 export season (November-April) amounted to 2.6 million cases, a drop of about 9 percent compared with the same period of the previous export year. The United Kingdom was the major export market in both years.

Domestic consumption during the 1975 season is placed at 862,000 cases, a slight gain over the previous season's level of 850,000 cases. Average farm price for clingstone peaches was $83.20 per metric ton during the 1975 season, down 4 percent in local currency terms. Average pear price at $64.50 per ton was down by 11 percent from the 1974 level. However, apricots sold at the dollar equivalent of $80.80 per ton, about 16 percent higher than in the previous season.

The South African Fruit Export Board is attempting to revive the British market with a long-range advertising program that would include incentive advertising funds for increased new purchases based on past sales performance. The program may also be extended to other European countries. Funds are to be supplied by member exporters.

West Germany's Citrus Imports Steady. West Germany's imports of fresh citrus fruit in the June 1974-May 1975 period amounted to about 1.04 million metric tons, almost unchanged from the previous marketing year's total. The U.S. share increased to about 13,500 tons from the 9,900-ton-level of the previous year. Relatively heavy shipments of U.S. oranges during the summer indicate dramatic growth in imports for the June-May 1975/76 season. Lemon imports from the United States are expected to be below last season's level, while grapefruit imports could increase if sufficient supplies are available this winter.

Total citrus juice imports for calendar 1974 decreased by almost a third in value from those of the previous year. Per capita consumption of natural citrus juices was off by 26 percent to about 4.5 liters. The value of imports from the United States of citrus juices and concentrates declined by about 27 percent in 1974. However, recovery of U.S. citrus juice imports by 10-12 percent during calendar 1975 is forecast.

Most French Deciduous Crops Down. Except for a bountiful apple crop, harvests of France's deciduous fruits were smaller in 1975 than in 1974. Apple production is placed at 1.98 million metric tons, up 22 percent from that of a year earlier and 11 percent greater than the 1970-74 average. Peach production was down sharply by 75 percent from that of 1974, netting only 111,000 tons. Outturns of table grapes and pears of 242,000 and 400,000 tons, respectively, were smaller by 5 percent each than year-earlier levels. Apricot, cherry, and plum crops of 68,300, 80,900, and 30,400 tons, respectively, were down by 28, 29, and 56 percent from 1974 levels.

The Government has allocated about $13.6 million to a disaster fund to compensate in part for losses incurred by fruit producers. France's large apple crop has pushed prices down substantially—by about 50 pecent from 1974 levels—despite sizable withdrawals from the market. On the other hand, short supplies of other deciduous fruits have caused price increases of 30-40 percent over year-ago levels.

France's apple exports to West Germany—a traditional market—are down from 1974 totals, but larger shipments to the United Kingdom, Iran, and Persian Gulf countries have more than compensated for this decline.

Spain's Smaller Deciduous Fruit Crops. Spain's 1975 production of all deciduous fruits was 2.9 million metric tons, a decline of 12.6 percent from the year-earlier level. Severe frost and hail were blamed for the decrease, as total fruit area at 348,000 hectares was only slightly less than 1974's.

Of the deciduous fruits, only the 1975 apple crop of 1.055 million tons showed a slight increase (2 percent) over the year-earlier level. Apricot, peach, and plum crops were sharply down at 131,000, 287,000, and 69,000 tons, respectively, with decreases of 38, 31, and 21 percent from the previous year. Harvests of table grapes and pears of 447,000 and 421,000

tons, respectively, were smaller in 1975 than 1974 by 12 percent each. Banana, fig, and cherry crops were smaller than those of a year earlier.

Quality of most fruits ranged from fair to good, but substantial quantities of apples and pears were of lower quality because of disease.

Spanish f.o.b. prices for major deciduous fruits were up sharply, more than doubling for most crops from 1974 levels because of the limited supplies.

Total deciduous fruit exports are forecast at 230,000 tons, up by 24 percent from those of a year earlier. A large part of the increase is attributed to a sharp rise in table grape exports to France because of the production shortfall there.

SUGAR • TROPICAL PRODUCTS

New Coffee Agreement Negotiated. A new International Coffee Agreement (ICA) was negotiated in London during November. If ratified by a sufficient number of member governments, it will take effect October 1, 1976, for a period of 6 years. Although the 1968 ICA was extended when it expired September 30, 1973, it has had no economic provisions since that time.

Although primarily an export-quota type of arrangement, the new ICA has several modified or additional features. Quotas are to consist of both fixed and variable portions. The former will amount to at least 70 percent of a country's quota and the variable portion not over 30 percent. Individual exporting countries have a choice of two base periods for the fixed portions of their quotas: Base Period A is the average of the last 4 years of shipments to member countries during the time quotas were in effect under the 1968 ICA; Base Period B begins October 1, 1976, and includes any complete year or years under the new ICA agreement.

Annual price ranges are to be established by the ICA Council when quotas are fixed, and there will be mechanisms for imposing, suspending, and reimposing quotas. Anticipated shortfalls are to be declared during the first 6 months of the coffee year and redistributed to other exporting countries. A promotion fund, to be used to boost consumption in importing member countries, is to begin with the advent of the new ICA.

Export quotas probably will not come into effect for the first year or so of the new ICA, as the world coffee supply situation will continue to be tight because of frost damage in Brazil on July 17-18, 1975. At current price levels, an ICA with some 62 exporting and importing members (the number in the old ICA) would account for trade of more than $5 billion worth of coffee.

TOBACCO

EC Offers Surplus Tobacco for Export. The EC Commission is inviting tenders for export sale of about 1.6 million pounds of surplus tobacco being held by the Italian intervention agency. The tobacco—three lots of dark air-cured Beneventano from the 1970 and 1971 crops—is left over from previous export auction sales.

Ontario Tobacco Auctions Reopen. Canada's Ontario Flue-Cured Tobacco Growers' Marketing Board resumed auctions early in December, following a 2-week shutdown caused by growers' protests against prices offered by tobacco buyers. The reopening was announced after the Canadian Tobacco Manufacturers' Council reaffirmed its commitment to pay a minimum season average price of 94 Canadian cents per pound for the 1975 Ontario flue-cured crop.

COTTON

Poor Weather Cuts World Cotton Production. Continued poor weather during November in several major Northern Hemisphere cotton-producing countries reduced projected 1975/76 world cotton production another 1.8 million bales to 55.9 million, 7.3 million bales below last season's record 63.2 million and the smallest world cotton harvest in 5 years. With a reduced December 1 forecast of 8.5 million bales, the United States will account for over 40 percent of the world decline.

Despite lower world production, large August 1, 1975, stocks in exporting countries will hold the estimated decline in world cotton supplies to only 2.3 million bales below the 1974/75 high, and about equal to the 1973/74 level. The United States will account for only 16 percent of world supplies, compared with 17 percent last season and 20 percent in 1973/74.

U.S. October Cotton Exports Up. U.S. cotton exports in October totaled 226,000 running bales, almost 90 percent above the October 1974 level and the second highest October figure since the 1967/68 season. Cumulative August-October shipments this season equaled 809,000 running bales, up 60 percent from the corresponding period in 1974. October deliveries to the Far East at 206,000 running bales, composed primarily of forward-contracted cotton, brought shipments since August to those destinations to 724,000 running bales. The most significant importers of U.S. cotton in October were the Republic of Korea (66,000 bales), Indonesia (47,000 bales), and the Republic of China (42,000 bales).

U.S. Share of World Cotton Trade Down. The world cotton trade forecast has been reduced slightly to 17.7 million bales, 600,000 above depressed 1974/75 shipments. A further decline in the U.S. export forecast of 500,000 bales to 3-3.5 million will be nearly offset by expectations of higher exports than forecast earlier for Turkey and India, and small export sales by the People's Republic of China. U.S. exports this season will likely account at most for 18 percent of world trade, compared with 23 percent in 1974/75.

Thai Textile Industry Idles Some Spindles. The Thai Textile Manufacturers' Association (TTMA) on December 3 instituted a lockup of 25 percent (about 200,000 spindles) of the industry's total spindle capacity through February 16. The action followed the failure of mills to reach voluntary agreement limiting textile production to 1 billion square yards annually and a threat by the Bank of Thailand to cut financing to the textile industry unless voluntary restraints were imposed. At the end of the announced lockup period. TTMA will reassess the stock position of textiles, textile exports, and export orders to determine if further restrictions are required. Firms exporting a minimum of 24 percent of production are exempt from the lockup.

Most Thai mills reportedly have large stocks of raw cotton and the industry believes additional purchases will be held to a minimum while these stocks are being worked off.

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FOREIGN AGRICULTURE

No Transport Crunch Yet

Continued from page 4

not reach the high 1973 levels. Loadings of grain mill products, after an early 1975 decline to well below levels of the previous 2 years, picked up sharply in the fall, nearing 1973 and 1974 levels.

Loadings of primary forest products also increased some this fall after a slow first half saw them dip well below loadings of the past 2 years.

Also sluggish has been the shipment of industrial raw materials. Movements of metallic ores, crushed stone and gravel, and chemicals—among the major commodity groups going by rail—have been anywhere from one-tenth to one-fourth under those of last year. Some of the hopper car normally used for these commodities have thus been available to handle some products otherwise competing with grain for covered hoppers. The conversion of these cars for grain has been easier this fall because of the increased time available for cleaning. (Normally, the necessity of cleaning cars before grain loading retards their movement into grain traffic if shipping of other commodities is brisk.)

Barge shipments of grain were unusually heavy throughout the fall of 1975, exceeding even those of 1973. In late October and early November, weekly barge shipments of grain were running at nearly 1 million metric tons.

Historically, barge shipments of grain spurt in July-early August after the wheat harvest and then peak again in October-November following corn and soybean harvests. This season, however, witnessed heavier than usual shipments throughout late summer and into the fall.

Contributing to this expanded traffic has been the growth in capacity of the barge fleet during the past few years. Fleet capacity (including dry cargo, barges, scows, and tank barges) has risen nearly a fourth since 1972, while numbers of such vessels have grown by about a fifth.

The ultimate link in the system, of course, is the **merchant fleet** for the final ocean voyage to foreign markets. This year, dry cargo tonnage in freighters and bulk carriers is about 230 million deadweight tons, up from 195 million in 1972. Currently, there is idle ocean vessel capacity available should export demand rise. Besides the freighters and bulk carriers so important now to grain trade, tankers smaller than 100,000 tons can provide substantial capacity for grain shipments, if needed.

In contrast to 1972/73, when a strong demand for and a short supply of ocean vessels was pushing freight rates to unprecedented heights, excess capacity is now helping to hold them down. The average quarterly bulk grain rates from U.S. gulf ports to Antwerp-Rotterdam-Amsterdam, for instance, fell from $16 per short ton in the last quarter of 1973 to $4.50 in the third quarter of 1975. As of early November 1975, rates had climbed—but only slightly.

As winter sets in, transportation of grain to market will face the usual constraints posed by closing of the Great Lakes ports-St. Lawrence Seaway and reductions in river barging. However, nearly two-thirds of grain exports now move through gulf ports, with virtually all shipments to the USSR moving from there.

The recent U.S.-USSR grain agreement, guaranteeing a minimum of 6 million tons of Soviet wheat and corn purchases from the United States each year for 5 years should help the transportation system to anticipate future demand and avoid the port congestion that has occurred during past surges, such as that of 1972/73.

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